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SUBJECT: IN SPITE OF GOVERNMENT INITIATIVES JORDANIANS ARE
ECONOMICALLY WORSE OFF

REF: A. AMMAN 3121

[1](#)B. AMMAN 2669

[1](#)C. AMMAN 2316

[1](#)D. AMMAN 1392

[1](#)1. (U) Summary: After years of steady GDP growth near 6% and inflation near 5%, skyrocketing inflation in Jordan in 2008 has dwarfed wage growth and created new challenges for GOJ. While wages have increased an estimated 25% since 2002, the Consumer Price Index has increased an average of 44%, and the prices of some commodities have increased much more, most notably fuel (143%) and food (65%). As a result, King Abdullah II has heightened the focus of his public outreach on citizens' financial challenges and in addition to housing initiatives and investment in health and education, he recently named 2009 the "Year of Agriculture" to draw attention on rural economic challenges. Nevertheless with annual inflation near 17%, families are seeing their purchasing power fall and they are increasingly relying on remittances, family contributions, and government aid. With this inflationary pressure, Jordanians will increase their expectations that King Abdullah and the government will continue to reach out and look for projects to alleviate the local impact of global financial pressures. End Summary.

[1](#)2. (U) King Abdullah II has spent recent months visiting some of the poorest areas in Jordan in acknowledgement of the financial hardships facing a growing number of Jordanian families and highlighting programs to address their needs. He named 2008 the "Year of Housing" and initiated a program to build homes for low-income working Jordanians (ref C). Similarly, 2009 was recently named the "Year of Agriculture" to focus attention on the plight of rural agricultural areas and farm families (Ref A). The King's efforts and other Government of Jordan initiatives, including the expanded social safety net, are all focused on improving the worsening economic situation of average Jordanians, which if not addressed can threaten political stability (ref B).

The Good News

[1](#)3. (SBU) A comparison of 2002 and 2008 statistics shows improving wages and increased employment levels. Wages in Jordan have been rising for the last six years: in 2002, 17.1% of the population earned less than \$141 per month and in 2008 that percentage had dropped to just 4.4%. Similarly, in 2002, only 12.3% of Jordanians in the workforce earned more than \$423 per month and in 2008, 30% or workers, approximately 400,000 people, earned that much. Ministry of Labor Secretary General Dr. Gazi Shbaikat credits multiple increases in Jordan's minimum wage with the increased average income from below \$280 per month in 2002 to around \$350 per month in 2008,

since minimum wage increases tend to also raise other low wages. The minimum wage has nearly doubled from \$113 in 2002 to \$212 per month effective January 2009. The largest increase in government salaries, which impact one-third of the workforce, was the increase this year from an average \$362 monthly in 2007 to \$428 in 2008 across positions. Government clerks who are at the low-end of the pay scale saw their monthly salaries increase significantly from approximately \$300 monthly to \$375.

¶4. (U) Additionally, official unemployment rates fell in the third quarter of 2008 to 12%, the lowest level in eight years, and down from the high of 15.3% in 2002. Government officials frequently point out that the number of unemployed Jordanians loosely equals the number of foreign workers in Jordan. The majority of these foreigners, however, work in construction and hotels or are domestics, sectors where starting salaries are close to minimum wage and where few Jordanians work for deeply engrained cultural reasons.

The Bad News

¶5. (U) These positive figures do not, however, tell the whole story. In spite of rising employment rates and salary advances, a 16.7% increase in inflation in the Consumer Price Index (CPI) from October 2007 to October of this year has caused significant financial stress for most families, who have seen prices of nearly everything increase far faster than wages. This inflation can be primarily attributed to world commodity price increases and to the pegging of the Jordanian dinar to the U.S. dollar, whose fall further eroded purchasing power. Food in Jordan, a net importer of consumable

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items, has historically represented 40% of an average family's household budget, but this percentage is growing as prices escalate (ref D). Food prices have increased 22% in the last twelve months and have increased 65% since 2002. Dietary staples of beans, grains, and cereals have shown even higher price increases. Households have struggled further with energy costs, which increased 54% between 2002 and 2007, as Jordan lost its cheap access to regional oil sources, and grew an additional 57% between 2007 and 2008 with soaring world prices. Government officials are hopeful that the recent decline in world prices for energy and commodities will bring financial relief directly to Jordanian families and also to the GOJ whose 2009 budget includes \$304 million for wheat and fodder subsidies and \$92 million for some remaining fuel subsidies such as products for home-heating. Another unseasonably cold winter, however, would bring new energy and food challenges.

Final Result: Jordanians Are Worse Off

¶6. (SBU) Shbaikat and Department of Statistics Director General Haidar Fraihat agreed that multiple data sources show that in spite of rising wages and employment, Jordanians are worse off in 2008 than in recent years. Inflation has hurt the average consumer's purchasing power and a MOL chart of real wages, those adjusted for inflation, showed slight growth between 2002 and 2007, but a sharp fall in 2008 to below 2002 levels, clearly showing that Jordanians are worse off in 2008 than in 2002. Fraihat said that his department is readjusting its CPI product basket, which reflects average purchases, to increase the weight/importance of food and reduce the number of luxury products. The third indicator is that in looking at families' total income, remittances from abroad, financial support from in-country family members, and governmental social safety net payments are all growing as a percentage of total income which Shbaikat said was a very bad sign.

¶7. (SBU) Comment: The King's visits to rural areas demonstrate the complex relationship between economic realities and politics in Jordan. While the government sets broad economic policies, given the country's tribal history and culture, many Jordanians look to the King to set an example of the state caring for its citizens. Just as tribal leaders take financial responsibility for those under their care, the King is assumed to have similar responsibilities. As inflationary pressures weigh ever harder on average Jordanians,

the expectation that King Abdullah and the government will continue to reach out and look for projects to alleviate the local impact of global financial pressures will only increase. End Comment.

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